

Purdue University
Department of Agricultural Economics

AGEC 217
Course Description
Spring 2017

Instructor: Michael E. Wetzstein

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I. INTENT: To introduce students how they and society can achieve happiness through economics. Economic theory provides a theoretical structure for analyzing economic behavior and how through decentralizing decisions we can maximize happiness.

II. TEXT: Wetzstein, M.E., “Happiness through Economics: Market Decentralizing Decisions for Maximizing Social Welfare,” Skyepack etext.

III. GRADING:

	Grade	Points
A. Three examinations		
1. February 19, 2017	20%	100
2. April 4, 2017	20%	100
3. Final Examination	30%	150
B. Joint Problem Sets	20%	100
C. Daily Assignments	10%	50

IV. CLASS ATTENDANCE: Students are expected to attend classes regularly. A student who incurs an excessive number of absences will be withdrawn from the course.

V. Link Happiness through Economics with Rational Thinking through Economics:

Happiness through Economics Chapters	Rational Thinking through Economics Questions
1	1, 13, 14, 15, 16, 17
2	3, 4, 9, 10, 12, 18, 32, 35, 37, 98
3	19, 34, 65, 72, 73, 106
4	2, 6, 38, 39, 66, 67, 75, 76, 77, 78, 97
5	20, 21, 25, 45, 46, 47, 62, 69, 70, 90, 99, 100
6	71, 74, 85
7	95, 96
8	5, 8, 42, 108
9	53, 54, 55, 56, 57, 58, 59, 60, 61
10	41
11	
12	
13	101, 102, 103, 104, 107, 109, 110, 118

VI. Supplemental Instruction:

There are Supplemental Instruction (SI) study sessions available for this course. These study groups are open to anyone interested in staying current with the course material and develop an improved understanding of the material. Attendance is totally voluntary, but extremely beneficial for those who attend regularly. Times and locations for the sessions are at: www.purdue.edu/si or at app: www.purdue.edu/boilerguide. Students who attend these interactive sessions will find themselves working with peers as they compare notes, demonstrate and discuss pertinent problems and concepts, and share study and test-taking strategies. Students are asked to arrive with their student ID card, lecture notes and questions to these informal, peer-led study sessions.

VII. Extra Credit Report:

Date Due: May 5, 2017

Procedure: *Learn as much by writing as by reading.* This project involves finding current (January 9, 2017 or later) articles in the popular press and writing an economic analysis of the content. The written report has a maximum of five typed double-spaced pages plus a copy of the article with its date. The report should focus on an economic model, which provides qualitative support, contradicts, or both, aspects of the popular reasoning. For most examples a complete geometric model will be appropriate. Reports will be graded on the following basis: (1) quality and completeness of economic analysis, (2) correct theoretical interpretation of the article, and (3) quality of exposition and neatness.

VIII. Incentive: If you received a C or below on the first exam and improve on the second, you will receive five additional test points.

AGEC 217
Tentative Schedule of Lecture Topics,
Problem Sets, and Examinations

WEEK	DATE	LECTURE TOPIC	READINGS	PROBLEM SETS
1	January 9	Introduction <i>Would you be sorry if all your wants were satisfied?</i>	Appendix, Ch. 1	
	19	Household Preferences and Grocery Carts <i>Are averages preferred to extremes?</i>	Ch. 2	
	13	There are Gains from Trade <i>How do you feed the multitudes?</i>		
2	18	Improving Social Welfare <i>Why have equal opportunity legislation?</i>		
	20	Review (Math Review, Chapters 1 and 2)		#1 Due
3	23	Production Possibilities <i>What is the cost of being inefficient?</i>	Ch. 3	
	25	Determining Economic Efficiency <i>How would you maximize social welfare?</i>		
	27	Understanding General Equilibrium in a Competitive Economy <i>Why is a government required?</i>		
4	30	Review (Chapter 3)		#2 Due
	February 1	Elasticity Dissected <i>What is your demand for living?</i>	Ch. 4	
	3	Deriving Market Supply <i>Why will all firms charge the same price without knowingly doing so?</i>		
5	6	Review (Chapter 4)		#3 Due
	8	Measuring Economic Efficiency <i>Are you willing to pay more for the pizza than it cost?</i>	Ch. 5	
	10	Government Intervention and Deadweight Loss <i>Do you enjoy waiting in lines?</i>		

WEEK	DATE	LECTURE TOPIC	READINGS	PROBLEM SETS
6	February 13	Tax <i>Who pays taxes?</i>		
	15	Review (Chapter 5)		# 4 Due
	17	Examination #1		
7	20	Answers to Examination #1		
	22	Balance of Trade <i>Would you want to live in a country with a trade deficit or surplus?</i>	Ch. 6	
	24	Trade Restrictions <i>Why the big fuss over free trade, anyway?</i>		
8	27	Review (Chapter 6)		# 5 Due
	March 1	Utility Functions Dissected <i>Is there a hedonimeter?</i>	Ch. 7	
	3	Measuring Aggregate Output and Income <i>Does higher level of GDP guarantee higher level of happiness?</i>		
9	6	Review (Chapter 7)		#6 Due
	9	Determination of the Interest Rate, i <i>Is a dollar forthcoming a year from now worth as much as a dollar today?</i>	Ch. 8	
	10	Price Comparisons through Time <i>Do you have money illusion?</i>		
10	20	Review (Chapter 8)		#7 Due
	22	Deriving the Market Supply Curve for Labor <i>Should only land be taxed?</i>	Ch. 9	
	24	Establishing Perfectly-Competitive Equilibrium in the Factor Market <i>Are you affected by the minimum wage?</i>		
11	27	Determining the Monopsony Wage and Employment <i>Does a monopsony offer the lowest wage it can?</i>		

WEEK	DATE	LECTURE TOPIC	READINGS	PROBLEM SETS
11	March 29	Union's Influence over Wages <i>Should a union strike during peak production?</i>		
	31	Review (Chapter 9)		#8 Due
12	April 3	Examination #2		
	5	Aggregate Demand <i>Will an increase in investment yield a one-for-one correspondingly increase in GDP?</i>	Ch. 10	
	7	Answers to Examination #2		
13	10	Aggregate Supply <i>If markets naturally restore any market shocks to full employment, then why is a government required?</i>		
	12	What is the Federal Reserve System? <i>Is the Federal Reserve the Big Brother watching you?</i>	Ch. 11	
	14	Monetary Policy <i>Does the stock market watch the Federal Reserve or vice-a-versa?</i>		
14	17	How Fiscal Policy Works? <i>Are federal earmarks bad?</i>	Ch. 12	
	19	Role of Government in Promoting Economic Growth <i>Should we invest in the future or cut the deficit?</i>		
	21	Review (Chapters 10, 11, and 12)		#9 Due
15	24	How to Maximize Social Welfare <i>What type of society do you live in?</i>	Ch. 13	
	26	Strategic Voting <i>Can your optimal revealed choice deviate from your true choices?</i>		
	28	Theory of Second Best <i>Are free-market zealots correct?</i> Review		